



## Financial Reporting Advisory Board Paper

### In year amendments for Government Financial Reporting Manual (FReM) and Illustrative Statements for 2020-21 and Release of 2021-22 FReM and Illustrative Statements

<b>Issue:</b>	HM Treasury requests that the FRAB agrees to the publication of an updated 2020-21 FReM and Illustrative Statements and draft 2021-22 FReM and Illustrative Statements.
<b>Impact on guidance:</b>	The FReM and Illustrative Statements are updated for application from 2020-21. Amendments are made for corrections; to improve clarity; responses from the FReM review; introduces a new best practice requirement for diversity and inclusion reporting; and to reflect the delay to implementing IFRS 16 to 2021-22.
<b>IAS/IFRS adaptation or interpretations for the public-sector context?</b>	Yes – the 2020-21 FReM introduces a clarifying adaptation for IFRS 9.
<b>Impact on WGA?</b>	Yes – WGA will be expected to incorporate the changes made in accounting standards within the Whole of Government Accounts. The 2020-21 WGA will be prepared on an IAS 17 basis.
<b>IPSAS compliant?</b>	Yes, for 2020-21 (given the public sector will mainly be following IAS 17 in 2020-21)
<b>Impact on Estimates/budgetary regime?</b>	No Estimates or budgetary regime impacts are anticipated for 2020-21.
<b>Alignment with National Accounts</b>	Yes, for 2020-21 (given the public sector will mainly be following IAS 17 in 2020-21).
<b>Recommendation:</b>	That FRAB notes the proposed amendments to the FReM and illustrative statements for 2020-21 and draft 2021-22 FReM and illustrative statements and agrees to their publication.
<b>Timing:</b>	The updated Manuals and Illustrative Statements will be published in December 2020.

## Table of Contents

Background.....	3
Significant Amendments to the 2020-21 FReM and illustrative statements.....	3
New diversity and inclusion disclosures .....	4
New IFRS 9 Adaptation.....	5
Amendments to IFRS.....	5
Major amendments .....	5
Minor amendments.....	6
Draft 2021-22 FReM and illustrative statements .....	6
Recommendation.....	7
Annex A – Analysis of Amendments to IFRS .....	8
Annex B – In-year amendments to the 2020-21 FReM .....	12
Annex C – Update on the FReM Review.....	19
Annex D – 2020-21 FReM .....	23
Annex E – 2021-22 FReM.....	24
Annex F – 2020-21 Illustrative Statements.....	25
Annex G – 2021-22 Illustrative Statements.....	26

## Background

1. The Memorandum of Understanding between the Relevant Authorities for developing financial reporting guidance for the public sector requires that the version of the FReM for financial year 2021-22 is available to users by 1 January 2021. This paper proposes the draft 2021-22 FReM as well as in year updates to the 2020-21 FReM and requests that the Board agrees to their publication.
2. In-year changes are proposed for the 2020-21 FReM and illustrative statements:
  - for corrections;
  - to improve clarity;
  - for responses from the FReM Review;
  - to introduce new best practice requirements for diversity and inclusion reporting; and
  - to reflect the delay to implementing IFRS 16 to 2021-22.

## Significant Amendments to the 2020-21 FReM and illustrative statements

3. There are several proposed changes to the 2020-21 FReM for the reasons set out in paragraph 2. The proposed amendments are summarised at [Annex B](#). The more significant changes are explained in the main body of this paper.
4. The significant 2020-21 in-year changes to the FReM not relating to changes in IFRS are as follows:
  - Incorporating reference to guidance published by the Financial Reporting Council (FRC) regarding the application of materiality to the annual report. (Chapter 2 of the FReM)
  - Incorporating reference to guidance published by the FRC for preparing a Strategic Report and applying this to the Performance Report and Accountability Report. (Mainly chapter 2 of the FReM but also references in chapter 3 of the FReM)
  - Removal of the requirement of departments to report against single departmental plan (SDP) objectives and instead report against their strategic objectives. (Chapter 5 of the FReM)
  - Addition of a new best practice disclosure for entities to report on how they have promoted equality of service delivery to different groups in society. (Chapter 5 of the FReM)
  - Addition of a new best practice disclosure for entities to report on how they are seeking to improve the diversity and inclusiveness of their own workforce. (Chapter 6 of the FReM)
  - Addition of an adaptation to IFRS 9 (adaptation 2) clarifying that it is not expected that balances between entities within the same group would be covered by the exception from recognising expected credit losses (ECLs) noted in IFRS 9 adaptation 1. (Chapter 8 of the FReM)

5. All in-year changes to the 2020-21 FReM can be seen in [Annex B](#).
6. Many of the in-year changes resulted from feedback from the FReM Review in 2019. FRAB was [updated](#) on the progress of this review at the 19 March 2020 meeting. A further update on the FReM Review can be seen in [Annex C](#).
7. The final version of the 2020-21 FReM is included at [Annex D](#).
8. The key changes to the 2020-21 illustrative financial statements are as follows:
  - a. Removal of IFRS 16 disclosures and replaced with IAS 17 disclosures. (HM Treasury shares IFRS 16 illustrative disclosures with entities who early adopt the Standard).
  - b. A number of changes have been made to all sets of illustrative statements for better alignment with each other. .
9. The amended 2020-21 illustrative statements can be seen in [Annex F](#).

### **New diversity and inclusion disclosures**

10. As noted in paragraph 4 above, new best practice disclosure requirements covering how the entity has worked to promote equality of service delivery to different groups in society and report on how the entity seeks to improve the diversity and inclusiveness of their own workforce has been included in the 2020-21 FReM as an in-year update.
11. There is currently no specific requirement in legislation for all entities to include diversity and inclusion disclosures in annual reports and accounts, though individual entities may be subject to specific legislation or a requirement in a framework agreement requiring diversity and inclusion reporting.
12. A number of entities already include these types of disclosures in their annual report and accounts or issue a separate diversity and inclusion report on a regular (usually annual) basis and we have now broadened the requirement for all entities that adhere to the FReM.
13. These disclosures have been included as best practice rather than comply or explain or mandatory for the following reasons:
  - a. There are already several work streams within individual departments and across government to improve diversity, inclusion and equality. In particular, there is an entire [Civil Service diversity and inclusion strategy](#), a publicly available [interactive dashboard](#) is maintained on gov.uk showing diversity and inclusion performance over a number of years with an [associated report](#). It was important that reporting requirements included in the FReM do not duplicate or contradict the existing and planned workstreams on diversity and inclusion.
  - b. The Equality Act 2010 requires entities to have regard to the public sector equality duty and the Equality Act 2010 (Specific Duties) Regulations requires public authorities listed in the regulations to publish equality objectives at least every four years.
  - c. In some devolved administrations there is additional legislation requiring entities to report against the public sector equality duty. For example, the Welsh Government issues a report setting out its performance in meeting the public sector equality duty to comply with Welsh legislation.
14. That said, HM Treasury is investigating whether there is a path to mandating diversity, inclusion and equality disclosures in the FReM going forward that does not duplicate existing or future workstreams and legislation.

## New IFRS 9 Adaptation

15. We have included the following new adaptation to IFRS 9: *'It is not expected that balances between a parent department and its executive agencies and ALBs will be covered by the exception from recognising ECLs noted in IFRS 9 adaptation (1) above.'*
16. This adaptation resulted following a request for clarification by a department.
17. The department in question held significant financial asset balances with its ALBs. The department had been challenged by their auditor whether expected credit losses should be recognised on these balances.
18. IFRS 9 adaptation 1 states that balances with core government departments (including their executive agencies), the Government's Exchequer Funds and the Bank of England are excluded from recognising stage 1 and stage 2 expected credit losses. ALBs are excluded from this exemption unless they are explicitly covered by a guarantee given by their parent department.
19. The department in question therefore queried whether, if they issued a guarantee for the loans they had with their ALBs they would be exempted from recognising expected credit losses on the debt.
20. HM Treasury's view was that such a guarantee would not exempt the department from recognising expected credit losses as they could still incur losses on the debt despite the guarantee being in place, i.e. the department would not be compensated for the losses by another entity, insurer etc. This adaptation clarifies this view.

## Amendments to IFRS

### Major amendments

#### IFRS 16

21. At the FRAB meeting of 19 March 2020 it was agreed that *IFRS 16 – Leases* would be implemented in central government from 1 April 2021, with the exception of entities where early implementation of the Standard had already been permitted (DCMS and DfT in central government and TfL in local government). This represents a deferral of 1 year to the original timeline.
22. As a result of the decision to delay implementation of IFRS 16 to 2021-22 amendments are required to the 2020-21 FReM. These amendments are as follows:

FReM Paragraph	Amendment
4.2.4	Paragraph updated to state that the FReM applies UK adopted IFRS Standards in effect from 1 January 2020 with the exception of <i>IFRS 16 Leases</i> .
7.4.2, 7.4.4	Minor amendments to include the word 'finance' before leases.
7.6.15	Disclosures for on-balance sheet service concession arrangements revert back to the disclosure requirements in the 2019-20 FReM.

FReM Paragraph	Amendment
8.2.2 Table 2	a) IFRS 9 interpretation 6 amended to remove reference to IFRS 16 and replace with IAS 17.  b) IFRS 16 adaptation 1 added back, setting out the requirements for early adoption of the Standard.
10.1.53	Flowchart of accounting for PPP arrangements amended to replace references to IFRS 16 with IFRIC 4 and IAS 17.
10.1.56	Reference to IFRS 16 removed and replaced with IAS 17.
Section 10.2	Entire section removed from FReM (it related to right of use assets).

### Minor amendments

23. There are no minor amendments in the updated 2020-21 FReM relating to changes in IFRSs.

### Draft 2021-22 FReM and illustrative statements

24. The 2021-22 FReM is based on the 2020-21 FReM, updated per above except for the IFRS 16 amendments, with the following additional changes included in [Annex E](#):

- a. In 2021-22 IFRS 16 will be implemented by central government. The 2021-22 FReM therefore removes IAS 17 guidance and replaces with IFRS 16 guidance. In short, the amendments to the 2020-21 FReM in respect of IFRS 16 listed below paragraph 11 are reversed.
- b. A number of changes have been made to the guidance for the remuneration report, specifically section 6.5 of the 2021-22 FReM. These changes were made to include relevant guidance from the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008. Note, this is improved guidance rather than new reporting requirements.
- c. The fair pay disclosures have been amended for 2021-22 to align with the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008. The changes can be seen from paragraph 6.5.20 of the FReM and summarised as follows:
  - i. A new requirement has been added for entities to disclose the percentage change in remuneration for the highest paid director and the percentage change in remuneration for employees of the entity taken as a whole.
  - ii. In addition to disclosing the ratio between the remuneration of the highest paid director to median remuneration, entities will now need to disclose:
    1. the ratio between the remuneration of the highest paid director and the employee whose remuneration is on the 25<sup>th</sup> percentile of the entity's employees remuneration; and

2. the ratio between the remuneration of the highest paid director and the employee whose remuneration is on the 75<sup>th</sup> percentile of the entity's employees remuneration.
25. Annex C provides an update on how HM Treasury has been updating the FReM for comments from the FReM review. We will continue to consider these comments in future updates to the FReM.
26. The illustrative statements have been amended to conform with the changes noted above. The amended 2021-22 illustrative statements can be seen in [Annex G](#).

## Recommendation

27. The Board is requested to consider the proposed amendments to the 2020-21 FReM and to agree the publication.
28. The Board is requested to consider the proposed 2021-22 draft FReM and to agree the publication.

HM Treasury  
19<sup>th</sup> November 2020



## Annex A – Analysis of Amendments to IFRS

Note, only those amendments affecting the 2020-21 and/ or 2021-22 financial years have been included in the table below.

Standard	IASB Effective date: periods beginning on or after	FReM introduction effective date (subject to UK adoption)	Summary of changes	Public sector specific reporting issue
IFRS 3 – Business Combinations: Definition of a Business  (Amendments)	1 January 2020	2020-21	<p>The amendments clarify the definition of a business and:</p> <ul style="list-style-type: none"> <li>- confirm that a business must include inputs and a process, and clarify that: <ul style="list-style-type: none"> <li>o the process must be substantive; and</li> <li>o the inputs and process must together significantly contribute to creating outputs.</li> </ul> </li> <li>- narrow the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and</li> <li>- add a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.</li> </ul>	Minimal- these changes were presented to FRAB in the November 2019 meeting (refer to paper (138) 2).
IFRS 4 – Insurance Contracts	1 January 2021	2021-22	There has been global reform of interest rate benchmarks, including the replacement of some interbank offered rates (IBOR) with alternative benchmark rates. For example, the UK Financial Conduct	Nothing specific to the public sector.



Standard	IASB Effective date: periods beginning on or after	FReM introduction effective date (subject to UK adoption)	Summary of changes	Public sector specific reporting issue
<p>IFRS 7 – Financial Instruments: Disclosures</p> <p>IFRS 9 – Financial Instruments</p> <p>IFRS 16 - Leases</p> <p>(Replacement issues in the context of IBOR reform)</p>			<p>Authority will no longer ask banks to submit to LIBOR beyond 2021 and are transitioning towards an alternative benchmark rate.</p> <p>Many entities use benchmark interest rates in their loan instruments, lease contracts and in hedge accounting.</p> <p>The IFRS Foundation project on IBOR reform has two phases:</p> <ul style="list-style-type: none"> <li>- Phase 1 dealt with issues prior to IBOR being replaced; and</li> <li>- Phase 2 dealt with what entities need to do once IBOR is replaced.</li> </ul> <p>Phase 2 amendments were issued by the IFRS Foundation in August 2020. The amendments are as follows<sup>1</sup>:</p> <ul style="list-style-type: none"> <li>- The IASB introduced a practical expedient for modification of financial assets, financial liabilities and lease liabilities required by the reform. The modifications are accounted for by updating the effective interest rate. All other modifications to financial instruments are accounted for using current IFRS requirements.</li> <li>- Hedge accounting is not discontinued solely because of IBOR reform. Hedging relationships must be amended to reflect modifications to the hedging item, hedging instrument and hedged risk.</li> <li>- Additional disclosures are required around:</li> </ul>	

<sup>1</sup> <https://www.iasplus.com/en-gb/news/2020-en-gb/08/ibor>

Standard	IASB Effective date: periods beginning on or after	FReM introduction effective date (subject to UK adoption)	Summary of changes	Public sector specific reporting issue
			<ul style="list-style-type: none"> <li>○ how the transition from interest rate benchmarks to alternative benchmark rates is managed, the progress made at the reporting date, and the risks arising from the transition;</li> <li>○ quantitative information about non-derivative financial assets, non-derivative financial liabilities and derivatives that continue to reference interest rate benchmarks subject to the reform, disaggregated by significant interest rate benchmark;</li> <li>○ to the extent that the IBOR reform has resulted in changes to an entity's risk management strategy, a description of these changes and how is the entity managing those risks.</li> </ul> <p>- IFRS 4 was also amended to require insurers that apply the temporary exemption from IFRS 9 to apply the amendments in accounting for modifications directly required by IBOR reform.</p>	
IFRS 16 – Leases	1 June 2020	2021-22	Amendment to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.	None noted.
IFRS 17 – Insurance Contracts	1 January 2023	2023-24	IFRS 17 had been due for implementation from 1 January 2021, therefore affecting the 2021-22 FReM. The implementation date of the Standard has been delayed by IASB by two years to 1 January 2023, meaning implementation in the FReM will be from 1 April 2023.	None noted. The project to implement IFRS 17 in central government is ongoing.

Standard	IASB Effective date: periods beginning on or after	FReM introduction effective date (subject to UK adoption)	Summary of changes	Public sector specific reporting issue
IAS 1 and IAS 8 – Disclosure initiative: Definition of material (Amendments)	1 January 2020	2020-21	<p>The amendments clarify the definition of material and its application by:</p> <ul style="list-style-type: none"> <li>• aligning the wording of the definition of material across all IFRS Standards and other publications and making minor improvements to that wording;</li> <li>• including some of the supporting requirements in IAS 1 Presentation of Financial Statements in the definition to give them more prominence; and</li> <li>• clarifying the explanation accompanying the definition of material.</li> </ul>	None noted. These changes were presented to FRAB in the November 2019 meeting (refer to paper (138) 2).
IAS 41 – Agriculture	1 January 2020	2020-21	The amendment to IAS 41 removed a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in IAS 41 with those in other IFRS Standards. <sup>2</sup>	None noted.

<sup>2</sup> <https://www.ifrs.org/projects/2020/taxation-in-fair-value-measurements/>



## Annex B – In-year amendments to the 2020-21 FReM

Amendments have been made to the 2020-21 FReM and illustrative statements to correct minor errors and provide clarifications to improve disclosure requirements and the introduction of the Non-Financial Reporting Regulations. These amendments are in addition to the amendments made due to deferring the implementation of IFRS 16 to 2021-22 and the new diversity and inclusion best practice disclosures explained in the main body of this paper.

Paragraph(s)	Change	Was the change made as a result of the FReM review?	Reason for change
Throughout	<p>The FReM has been reformatted so the styling is consistent with other HM Treasury publications, such as Managing Public Money, the Consolidated Budgeting Guidance and IFRS 9, 15 and 16 application guidance.</p> <p>Links have been added to make the FReM easier to navigate.</p> <p>Note the structure of the 2020-21 FReM is unchanged from the version presented at the November 2019 FRAB meeting.</p>	Yes	Changes are mainly cosmetic, however, users should find the FReM easier to navigate than previous versions.
1.1.4 & 1.1.5	Paragraphs added to explain the legislative authority for issuing the FReM.	Yes	To provide users background information on why HM Treasury issues the FReM.

Paragraph(s)	Change	Was the change made as a result of the FReM review?	Reason for change
1.1.8	Paragraph added to explain how entities can access certain additional guidance such as PES papers and Employer Pension Notices.	Yes	The FReM includes references to PES papers and EPNs in multiple chapters, but assumes users know how to access these additional pieces of guidance. The addition of this paragraph makes it clear where these additional pieces of guidance can be found.
1.2.1	Paragraph amended to clarify that the FReM may apply to entities directed to follow the FReM by their relevant authority but are not consolidated into the Whole of Government Accounts.	Yes	Clarification of the scope of the FReM as explained in the revision to the paragraph.
1.3.1 (7 <sup>th</sup> bullet point), 2.4.4, 4.2.4, 8.1, 8.8.1	Removal of reference to <b>EU</b> adopted IFRS Standards and change to <b>UK</b> adopted IFRS Standards.		From 1 January 2021 entities in the UK are required to change references of EU adopted IFRS to UK adopted IFRS in line with page 12 of this document: <a href="https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/862654/eu-exit-company-law-guidance.pdf">https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/862654/eu-exit-company-law-guidance.pdf</a>
2.4.2	Removal of the last sentence as it is duplicated in paragraph 2.4.4		Removal of duplicated sentence.

Paragraph(s)	Change	Was the change made as a result of the FReM review?	Reason for change
2.6.3	Moving the position of paragraph 2.6.14 (paragraph 2.6.5 in the draft 2020-21 FReM) to paragraph 2.6.3		This paragraph set the context of what figures 2 and 3 are trying to show. It therefore made more sense to have this paragraph before figure 2 rather than after figure 2.
2.6.5, 2.6.6, 2.6.8, 2.6.9, 2.6.10, 2.6.11, 2.6.12, 2.6.13, 3.4.5, 3.7.1(d-e)	Additional guidance for users to apply materiality to the performance and accountability reports, decide what to include in these reports and explain the importance of linkages. All guidance is adapted from the FRC Guidance on the Strategic Report.	Yes	<ol style="list-style-type: none"> <li>1. It provides useful guidance to users of the FReM when preparing their annual report.</li> <li>2. Many of the principles in the FRC's guidance are equally applicable to public sector annual reports and accounts.</li> </ol>
2.6.7	Paragraph updated to explain why longer annual reports are not necessarily better.		Explained in the 'Change' column.
2.6.15	Paragraph updated so it is more concise.		Explained in the 'Change' column.
2.6.21	Paragraph amended so make is clearer that cost being a reason for not following best practice in a comply or explain scenario is expected to be rare.		Explained in the 'Change' column.
3.5.6	Paragraph added to provide a link to ONS guidance on using data visualisations in reports.	Yes	Explained in the 'Change' column.
3.5.7	Paragraph added to provide guidance on choosing design choices	Yes	Explained in the 'Change' column.

Paragraph(s)	Change	Was the change made as a result of the FReM review?	Reason for change
3.5.8	Paragraph added to provide a link to government guidance on how to make reports more accessible.	Yes	Explained in the 'Change' column.
4.3.6	Paragraph amended to clarify that the relevant authority will consider the treatment of non-coterminous year ends where a subsidiary has a year end more than 3 months from the year end of the department.	Yes	This change was made to align the requirement with IFRS 10 para B93.
4.4.1	Amendments made to this paragraph to more closely align the guidance with the Scottish Public Finance Manual.	Yes	Explained in the 'Change' column.
4.3.3	Paragraph added to split out Northern Ireland reporting requirements from Welsh reporting requirements.		Explained in the 'Change' column.
4.4.12	Removal of reference to SI 2013/1970		Once statutory instruments (SI) have been incorporated into the Companies Act there shouldn't be a need to continually refer to the SI. Reference to the Companies Act should be sufficient at that point.
4.5.1	Paragraph added to clarify that entities should not amend annual reports and accounts which have been certified by the Comptroller and Auditor General (or other appointed auditor) without first discussing with the relevant external audit team.	Yes	Explained in the 'Change' column.

Paragraph(s)	Change	Was the change made as a result of the FReM review?	Reason for change
4.5.2, 4.5.3, 4.5.3	Clarifications made that the entity publishes their annual reports and accounts.		Explained in the 'Change' column.
5.2.3 (third bullet)	Amendment made to spell out the SOPS acronym for the first time.		Explained in the 'Change' column.
5.3.2, 5.3.3(e-f), 5.4.4, 5.4.12	Removal of requirement of departments to report against Single Departmental Plans and replace with a requirement to report against their strategic objectives.		<p>Earlier in the year HM Treasury and the Cabinet Office wrote to Heads of Departments and the PAC that Ministers have agreed not to ask departments to provide or publish Single Departmental Plans this year.</p> <p>Amendments to performance reporting requirements have therefore been amended to reflect this change.</p>
5.4.4 (a)(ii)	Paragraph deleted.		Paragraph deleted as new priority outcomes are being agreed as part of SR 20.
5.4.4 (f-m)	Change of requirement from comply or explain to mandatory where relevant to the entity.	Yes	On reflection, none of these requirements did not fit into the comply or explain category.
5.4.6 (b)	Inclusion of a new best practice requirement for entities to explain how they are improving equality of service provision to service users.		Explanation of this change can be seen <a href="#">here</a> .



Paragraph(s)	Change	Was the change made as a result of the FReM review?	Reason for change
6.5.11	Amendment made to paragraph so it reads clearly.		Explained in the 'Change' column.
6.5.16(e)	Link added for calculation of staff turnover percentage.		Explained in the 'Change' column.
6.5.17 – 6.5.24	Addition of a new best practice disclosure covering how the entity has promoted or promotes improved diversity and inclusion of its own workforce.		Explanation of this change can be seen <a href="#">here</a> .
6.7.1(b)	Amendment made to clarify that HM Treasury publishes the contingent liability approval framework guidance.		Explained in the 'Change' column.
6.7.1(c)	Amendment to clarify the cost allocation and charging requirements are set out in MPM		Explained in the 'Change' column.
8.8.2 Table 2	Added cross references between adaptations and interpretations and the paragraph(s) in the relevant IAS/ IFRS being adapted or interpreted by the FReM.	Yes	Assists users to understand where the adaptation or interpretation derives from.
8.8.2 Table 2	Added an IFRS 9 adaptation to clarify that financial instrument balances within a group are not expected to be covered by exception from recognising expected credit losses as explained in IFRS 9 adaptation 1.		The rationale for this adaptation is explained <a href="#">here</a> .
8.8.2 Table 2	IAS 19 adaptation 5 amended to clarify that the rate to discount balances is the pension's rate promulgated in PES papers.		Clarification made as it was not clear what pension rate the entity was supposed to use.
Above 9.1.7 and 9.1.11 and paragraph 9.1.10	- Heading 'Transfer by Merger' added above paragraph 9.1.7		All three of these changes have been made to make the section easier to read.

Paragraph(s)	Change	Was the change made as a result of the FReM review?	Reason for change
	<ul style="list-style-type: none"> <li>- Paragraph 9.1.9 split out into paragraphs 9.1.9 and 9.1.10</li> <li>- Heading 'Transfer by Absorption' added above paragraph 9.1.7</li> </ul>		
9.1.11 last bullet	Amendment made to make the bullet read more clearly.		Explained in the 'Change' column.
10.1.60	Removal of potentially out-of-date Treasury discount rate for investment appraisal purposes.		Explained in the 'Change' column.
Various	Changes made to remove IFRS 16 guidance and replace with IAS 17 guidance from the 2019-20 FReM due to the deferral of implementing IFRS 16 in central government to 2021-22		This change is explained <a href="#">here</a> .
Annex 4	Link updated for the Building Public Trust Awards – good practice in annual reports publication and added a link for the FRC Guidance on the Strategic Report.		Explained in the 'Change' column.



## Annex C – Update on the FReM Review

1. As noted in [Annex B](#) above, many of the in-year changes made to the FReM were a result of feedback from the FReM review. We would like to thank all respondents for their helpful comments, which have resulted in an improved FReM.
2. At the 19 March 2020 FRAB meeting HM Treasury reported that there were:
  - a. a total of 735 individual comments received and reviewed, of which
  - b. 332 comments were analysed by HM Treasury that resulted in
  - c. 158 comments for HM Treasury to consider in 'Phase 2' of the FReM review.
3. A summary of the comments was included in the 19 March 2020 FRAB paper, but has been reproduced below for ease of reference:

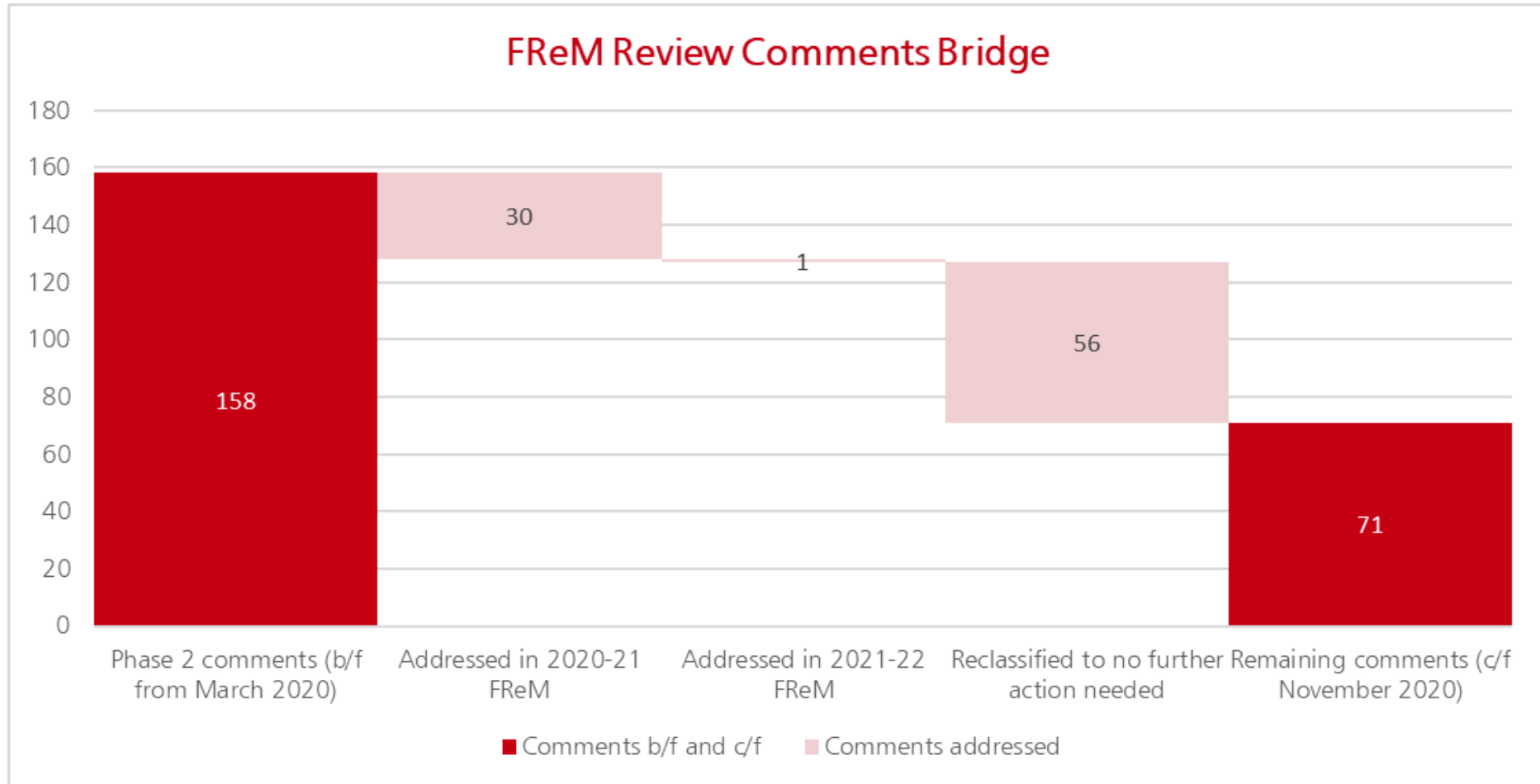
**Table 3: Phase 2 consultation comments by category**

Category	Comments	(Of which) quick Wins
Additional guidance	47	6
Wording	33	16
Presentation	17	5
Minor structural improvement	11	6
Department specific	12	1
Applicability	9	1
Relevant Authorities	9	
Audit issue	6	
Materiality	5	
SoPS	4	
Examples	1	
Landing Page	1	
Promotion & Comms	1	1
Regularity	1	
Accessibility - Dec 2020 update	1	
<b>Total</b>	<b>158</b>	<b>36</b>

4. Some of the 158 comments have been covered through the updated 2020-21 FReM. The bridge on the next page shows how the 158 comments have been addressed since March 2020.



Figure 1- FReM review comments bridge





5. The diagram above shows of the 158 comments for HM Treasury to consider in Phase 2 of the FReM review:
  - a. 30 have been addressed in the 2020-21 FReM
  - b. 1 has been addressed in the 2021-22 FReM
  - c. 56 have been reassessed as needing no further action, leaving
  - d. 71 to be assessed going forward.
6. 56 comments have been reassessed as needing no further action for a number of reasons, with the main one being the comment was outside of the scope of the FReM review. For example, some respondents commented that best practice examples for some of the principles would be welcome- this is covered by the thematic reviews HM Treasury releases.
7. The 71 remaining comments have not yet been addressed due to their nature. These comments are likely to take some time to address. For example, some respondents commented that a glossary of terms would be useful for users of the FReM. Though a glossary would be useful it would take some time for HM Treasury to compile, so would be a medium- to long-term aim.
8. Of the 36 quick wins reported at the March 2020 FRAB meeting 22 have been addressed, leaving 14 still to be addressed. The reason for the remaining 14 quick wins not being addressed was that on review they would take a longer period of time to address.
9. The table on the next page shows in more detail the progress of addressing the 158 comments from the FReM review.



**Figure 2- Detailed breakdown of progress against addressing comments**

Category	All Comments					(Of Which) Quick Wins		
	Comments (A)	2020-21 FReM (B)	2021-22 FReM (C)	No Further Action Needed (D)	Remaining Comments (A-B-C-D)	Quick Wins (AA)	Quick Wins Addressed (BB)	Remaining Quick Wins (AA-BB)
Additional guidance	47	5	1	22	19	6	5	1
Wording	32	10		8	14	15	7	8
Presentation	17	2		1	14	5	2	3
Minor structural improvement	12	3		4	5	7	6	1
Department specific	12	1		7	4	1		1
Applicability	9			7	2	1	1	0
Relevant Authorities	9			1	8			0
Audit issue	6	3		1	2			0
Materiality	5	4		1	0			0
SoPS	4			2	2			0
Examples	1			1	0			0
Landing Page	1			1	0			0
Promotion & Comms	1	1			0	1	1	0
Regularity	1				1			0
Accessibility - Dec 2020 update	1	1			0			0
<b>Total</b>	<b>158</b>	<b>30</b>	<b>1</b>	<b>56</b>	<b>71</b>	<b>36</b>	<b>22</b>	<b>14</b>



HM Treasury

Annex D – 2020-21 FReM

Under separate cover

FRAB (142) 08  
19<sup>th</sup> NOVEMBER 2020



HM Treasury

Annex E – 2021-22 FReM

FRAB (142) 08  
19<sup>th</sup> NOVEMBER 2020

Not included due to the length of Annex. If required please contact HMT at: [Resource.Accounts@hmtreasury.gov.uk](mailto:Resource.Accounts@hmtreasury.gov.uk)





HM Treasury

FRAB (142) 08  
19<sup>th</sup> NOVEMBER 2020

## Annex F – 2020-21 Illustrative Statements

Not included due to the length of Annex. If required please contact HMT at: [Resource.Accounts@hmtreasury.gov.uk](mailto:Resource.Accounts@hmtreasury.gov.uk)



HM Treasury

FRAB (142) 08  
19<sup>th</sup> NOVEMBER 2020

## Annex G – 2021-22 Illustrative Statements

Not included due to the length of Annex. If required please contact HMT at: [Resource.Accounts@hmtreasury.gov.uk](mailto:Resource.Accounts@hmtreasury.gov.uk)